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TAGS: EFIN, EEC

SUBJECT: EUROPEAN ECONOMIC AND MONETARY UNION: A NEW
START?

REFS: (A) BRUSSELS 12500; (B) BRUSSELS 14178

1. SUMMARY: THE EC COMMISSION, LED BY PRESIDENT ROY JENKINS, HAS EMBARKED ON A VIGOROUS DRIVE TO "RE-LAUNCH" THE COMMUNITY TOWARDS ECONOMIC AND MONETARY UNION. ALTHOUGH THE POTENTIAL ECONOMIC EFFECTS OF EMU WOULD OF COURSE BE VERY IMPORTANT, THE REASONS FOR A RE-LAUNCHING AT THIS TIME ARE PROBABLY MORE POLITICAL AND PSYCHOLOGICAL THAN ECONOMIC. IN PARTICULAR, IT IS INTENDED TO RESTORE A SENSE OF FORWARD MOTION AS AN ANTIDOTE TO FEELINGS OF FRUSTRATION IN THE FACE OF ECONOMIC PROBLEMS AND OF STAGNATION OF THE DRIVE TOWARDS ECONOMIC INTEGRATION. THE COMMISSION IS STRUGGLING TO RESOLVE RATHER FUNDAMENTAL DIFFERENCES IN VIEWS ON STRATEGY. SOME ELEMENTS, LED BY JENKINS AND HIS CABINET, ARE CHAMPIONING A RADICAL SHIFT

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IN APPROACH, WHICH WOULD INVOLVE A RELATIVELY EARLY LEAP FORWARD INTO MONETARY UNIFICATION. IN CONTRAST, VICE PRESIDENT ORTOLI ADVOCATES A MORE CONVENTIONAL GRADUALIST APPROACH. ALTHOUGH THE FORMER APPROACH IS INTELLECTUALLY ATTRACTIVE TO MANY, AND IF ATTAINABLE WOULD GIVE REAL IMPETUSTTTHE SPIRIT OF EUROPEAN UNITY, IT IS ALSO DIFFICULT TO IMAGINE A COMPREHENSIVE AND MEANINGFUL PLAN FOR

ECONOMIC AND MONETARY UNION BEING EMBRACED IN ANY CONCRETE FORM BY THE EUROPEAN COUNCIL WHEN THE MATTER IS TAKEN UP IN DECEMBER. END SUMMARY

2. THE EC COMMISSION OVER THE PAST SEVERAL WEEKS HAS CARRIED ON A CAMPAIGN TO BUILD SUPPORT FOR A "RE-LAUNCHING" OF THE COMMUNITY TOWARDS ECONOMIC AND MONETARY UNION (EMU). THE IMMEDIATE TARGET IS THE UPCOMING DECEMBER 5-6 EUROPEAN COUNCIL, WHICH HAS EMU ON ITS AGENDA. AT THE SAME TIME, THE COMMISSION AND ITS SERVICES HAVE BEEN WORKING TO PREPARE A PAPER FOR THAT COUNCIL, WHICH THEY HOPE WILL SERVE AS A BASIS FOR A NEW COMMITMENT AND NEW START FOR EMU. IN THE PROCESS THEY ARE TRYING TO BRING TOGETHER FAIRLY DISPARATE STRANDS OF THINKING ON STRATEGIES TO APPROACH EMU, AND TO RECONCILE THEORETICAL STRATEGIES WITH POLITICAL REALITIES. THE PRESENT MESSAGE, DRAWING ON MANY CONVERSATIONS WITH VARIOUS COMMISSION OFFICIALS, SUMMARIZES, IN RELATIVELY BRIEF COMPASS, THE PRESENT STATUS OF EMU; THE MOTIVATION BEHIND THIS NEW EFFORT; THE CONTRASTS BETWEEN THE "RADICAL" AND THE "CONVENTIONAL" APPROACHES TO EMU, AND THE POSSIBILITIES FOR CONCRETE ACTION IN THE RELATIVELY NEAR TERM.

3. ECONOMIC AND MONETARY UNION, ADOPTED AS A COMMUNITY OBJECTIVE AT THE HAGUE SUMMIT IN 1969, WAS LAUNCHED IN THE FORM OF THE ILL-FATED WERNER PLAN IN 1971. THE WERNER LIMITED OFFICIAL USE

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PLAN ENVISIONED A PROGRESSIVE NARROWING OF MARGINS OF EXCHANGE-RATE FLUCTUATIONS LEADING EVENTUALLY TO COMPLETE ELIMINATION OF MARGINS, IRREVOCABLE FIXING OF PARITIES, AND TOTAL AND IRREVERSIBLE CONVERTIBILITY AT FIXED RATES AMONG MEMBER STATE CURRENCIES -- VIRTUALLY A COMMON EUROPEAN CURRENCY IN EFFECT IF NOT IN NAME. THE MONETARY DISCIPLINE IMPOSED BY THIS PROCESS ON MEMBER STATES WAS SUPPOSED TO ENFORCE THE NEEDED HARMONIZATION IN MEMBER STATE MONETARY POLICIES. ACTUALLY, MEMBER STATES REFUSED TO ACCEPT THE NECESSARY DISCIPLINE -- A DISCIPLINE MADE MORE UNACCEPTABLE BY THE INTERNATIONAL MONETARY TURBULENCE OF THE FIRST HALF OF THE 1970'S. THE STRUCTURE BROKE UP, LEAVING AS ITS VESTIGE THE PRESENT "SNAKE" ARRANGEMENT, WHICH DOES NOT INCLUDE THREE OF THE FOUR LARGEST MEMBER STATES AND INVOLVES NO PRETENSE OF MOVING TOWARDS NARROWER MARGINS OR IRREVOCABLE PARITIES.

4. IN THE POPULAR FOCUS ON MONEY, THE OTHER ASPECTS OF EMU ARE SOMETIMES NEGLECTED: THE CREATION OF AN ECONOMIC UNION WITH COMPLETE FREEDOM OF MOVEMENT AND INTEGRATED MARKETS FOR GOODS, CAPITAL, AND LABOR. THIS WOULD INVOLVE THE ELIMINATION OF SUCH IMPEDIMENTS AS CUSTOMS FRONTIERS

AND NON-TARIFF BARRIERS TO TRADE, FISCAL FRONTIERS, CAPITAL CONTROLS, AND OBSTACLES TO MOVEMENT OF LABOR. THE COMMUNITY HAS HAD CONSIDERABLE SUCCESS IN REMOVING CUSTOMS BARRIERS AND ARTIFICIAL OBSTACLES TO LABOR MOVEMENT. HOWEVER, NON-TARIFF BARRIERS HAVE, IF ANYTHING, INCREASED; PROGRESS AGAINST FISCAL FRONTIERS HAS BEEN VERY SLOW; AND SIGNIFICANT CAPITAL CONTROLS REMAIN IN FORCE IN MOST MEMBER STATES.

5. THE FAILURE OF THE WERNER APPROACH TO MONETARY UNIFICATION WAS GENERALLY INTERPRETED AS CONFIRMATION OF THE VIEWS OF CRITICS WHO ARGUED THAT HARMONIZATION OF

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ECONOMIC POLICIES AND CONVERGENCE IN ECONOMIC TRENDS WERE NECESSARY PRECONDITIONS TO FIXING EXCHANGE RATES AND ACHIEVING MONETARY UNION. TO BE SURE, THE COMMUNITY ALSO ESTABLISHED MECHANISMS FOR THE COORDINATION OF ECONOMIC AND MONETARY POLICY AND INTRA-COMMUNITY CREDIT FACILITIES (WHICH GAVE THE COMMISSION AND COUNCIL A MEANS OF INFLUENCE OVER THE ECONOMIC POLICIES OF THE DEBTOR COUNTRIES), BUT THE POLITICAL WILL NECESSARY FOR SUCCESS HAS BEEN ABSENT. THERE HAS BEEN LITTLE DISPOSITION ON THE PART OF MEMBER STATES TO MODIFY NATIONAL MACROECONOMIC POLICIES IN THE INTERESTS OF COMMUNITY OBJECTIVES. MOREOVER, ECONOMIC DIVERGENCES IN RECENT YEARS HAVE BECOME EXTREMELY WIDE.

6. THE EXPERIENCE OF RECENT YEARS HAD THEREFORE LED MOST OBSERVERS TO BELIEVE THAT A HIGH DEGREE OF POLICY

HARMONIZATION AND ECONOMIC CONVERGENCE WOULD BE ABSOLUTE PREREQUISITES TO MONETARY UNIFICATION. CONSEQUENTLY, THIS GOAL HAS SEEMED TO BE AT THE LEAST, MANY YEARS OFF. UNTIL RECENTLY, AT LEAST, THE COMMISSION HAD IMPLICITLY ACCEPTED THIS VIEW. EFFORTS CONTINUED TO STRENGTHEN COORDINATION IN FISCAL AND MONETARY POLICIES - FOR EXAMPLE, LIMITED OFFICIAL USE

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EFFORTS TO OBTAIN MEMBER STATE AGREEMENT TO PUBLICLY ANNOUNCED TARGETS FOR THE GROWTH OF MONETARY AGREGATES. BUT PROGRESS HAS BEEN SLOW. EFFORTS TO STRENGTHEN THE COMMUNITY HAND IN COORDINATION OF EXCHANGE RATE MATTERS -- FOR EXAMPLE, THE SO-CALLED DUISENBERG PLAN WHICH WAS FINALLY ABORTED EARLIER THIS YEAR -- HAVE MET WITH NO SUCCESS. MEMBERS OF THE "SNAKE" HAVE EVEN REFUSED SO FAR TO ALLOW THE COMMISSION TO PARTICIPATE IN THEIR MEETINGS. 7. AGAINST THIS BACKGROUND, THE NEW COMMISSION PUSH TO RE-LAUNCH EMU CAME AS A SURPRISE TO MOST OBSERVERS. THE REASONS FOR THIS INITIATIVE AT THIS TIME ARE PROBABLY MORE POLITICAL AND PSYCHOLOGICAL THAN ECONOMIC. TO BE SURE, COMMISSION OFFICIALS STILL BELIEVE THAT THERE ARE SIGNIFICANT ECONOMIC GAINS STILL TO BE REAPED FROM IMPROVED ALLOCATIONAL EFFICIENCY AND ECONOMIES OF SCALE WITH THE FULLER INTEGRATION OF EUROPEAN MARKETS THAT COULD BE ACHIEVED THROUGH REMOVING REMAINING OBSTACLES AND EXCHANGE-RATE UNCERTAINTIES. THEY ALSO BELIEVE IN THE BENEFITS FROM THE ENHANCED UTILITY OF MONEY, ECONOMIES OF SCALE IN CENTRAL BANKING AND POOLING OF INTERNATIONAL RESERVES, AND THE GAINS FROM REDUCING THE SEIGNIORAGE EARNED BY THE DOLLAR. AN ADDITIONAL ARGUMENT MADE WITHIN THE COMMISSION IS THAT A UNIFIED CURRENCY AREA WOULD MAKE POSSIBLE MORE EFFECTIVE ECONOMIC MANAGEMENT BY REDUCING BALANCE OF PAYMENTS CONSTRAINTS. 8. NEVERTHELESS, THE DECISIVE FACTOR IN TAKING UP THE CALL FOR EMU AT THIS TIME STEMS FROM AN URGENTLY FELT NEED WITHIN THE COMMISSION TO REVERSE THE SENSE OF COMMUNITY DRIFT, STAGNATION, AND HELPLESSNESS IN THE FACE OF SEEMINGLY INTRACTABLE ECONOMIC PROBLEMS. PRESIDENT JENKINS HAS SENSED THIS NEED FOR A DRAMATIC NEW INITIATIVE OR A CAUSE THROUGH WHICH THE COMMUNITY COULD RECAPTURE A SENSE OF FORWARD MOTION IN THE LIMITED OFFICIAL USE

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ECONOMIC AREA TO COMPLEMENT THE POLITICAL IMPACT OF THE COMING DIRECT ELECTIONS TO THE EUROPEAN PARLIAMENT. BELIEF THAT A MAJOR ECONOMIC INITIATIVE IS NEEDED HAS

ALSO BEEN ENHANCED BY WORRIES THAT PROBLEMS OF EC
ENLARGEMENT MIGHT HOPELESSLY MIRE FURTHER PROGRESS
TOWARD ECONOMIC INTEGRATION.

9. PRESIDENT JENKINS, THEREFORE, HAS SEIZED UPON THE
OPENING AFFORDED BY THE GISCARD-SCHMIDT AGREEMENT TO
RE-EXAMINE THE PROSPECTS FOR EMU AT THE DECEMBER
SUMMIT. THE IDEA WAS SOLD TO THE REMAINING COMMISSIONERS
AT THE LA ROCHE MEETING SEPTEMBER 17-18 (REF A).

10. AT THAT MEETING, VICE PRESIDENT ORTOLI WAS ASKED TO
PROVIDE A PAPER ON POSSIBLE INITIATIVES TOWARDS EMU.
ACCORDING TO OUR SOURCES, HIS PAPER HEWED CLOSELY TO
THE CONVENTIONAL LINE, SUGGESTING RELATIVELY MODEST
MEASURES TO IMPROVE POLICY COORDINATION AND CONVERGENCE.

11. PRESIDENT JENKINS THEN PRESENTED AN UNANNOUNCED
ALTERNATIVE PAPER WHICH ARGUED THAT THE GRADUALIST
APPROACH TO COORDINATION AND CONVERGENCE HAD BEEN A
DEMONSTRABLE FAILURE. IT POINTED OUT THAT THE STRATEGY
OF USING NATIONALLY DIFFERENTIATED POLICIES UNDER
CONDITIONS OF EXCHANGE-RATE FLEXIBILITY HAS FAILED TO
PRODUCE EITHER ADEQUATE RECOVERY OR A SIGNIFICANT
REDUCTION IN INFLATION IN THE COMMUNITY, LARGELY A
CONSEQUENCE OF BALANCE OF PAYMENTS CONSTRAINTS; THE
TECHNIQUE OF EXCHANGE-RATE FLEXIBILITY HAS BEEN BOTH
INEFFECTIVE AND INFLATIONARY IN DEALING WITH IMBALANCES
AMONG COUNTRIES WHOSE ECONOMIES WERE CLOSELY INTEGRATED
(ESSENTIALLY THE MCKINNON POINT IN THE OPTIMAL CURRENCY
AREA DISCUSSION). ITALY, FOR EXAMPLE, WOULD DO BETTER
UNDER A UNIFIED EUROPEAN CURRENCY, PROVIDED (AND THIS
IS A CRITICAL CONDITION) THERE WERE ADEQUATE INTRA-
REGIONAL FISCAL TRANSFERS. (THIS LATTER EMPHASIS
REFLECTED THE VIEWPOINT IN PARTICULAR OF MICHAEL EMERSON,

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THE CHIEF ECONOMIC ADVISER IN THE JENKINS CABINET.)
THUS, RATHER THAN WAIT FOR SOME DISTANT FUTURE DATE
WHEN EUROPEAN ECONOMIES STABILIZE AND CONVERGE A LEAP
FORWARD INTO MONETARY UNION IS NEEDED IN ORDER TO
ACHIEVE STABILIZATION AND CONVERGENCE.

12. ACCORDING TO OUR SOURCES, JENKINS RECEIVED
CONSIDERABLE SUPPORT AT LA ROCHE FOR HIS AMBITIOUS
APPROACH TO EMU. SUBSEQUENTLY, HE HAS MADE PUBLIC
STATEMENTS EMPHASIZING THE IMPORTANCE OF EMU (REF B).
HE HAS BEEN JOINED BY COMMISSIONER TUGENHAT, WHO, IN A
RECENT SPEECH TO THE JUNIOR WESTMINISTER CHAMBER OF
COMMERCE, DESCRIBED THE CONVENTIONAL VIEW AND THEN SAID:
"WHAT THE COMMISSION IS TRYING TO DO IS PROVOKE SERIOUS
EXAMINATION OF AN ALTERNATIVE THESIS: NAMELY, THAT,
FAR FROM IT BEING NECESSARY TO WAIT FOR THE COMMUNITY
TO OVERCOME ITS ECONOMIC PROBLEMS BEFORE MOVING TO A
SINGLE CURRENCY, THE RELATIVELY SPEEDY INTRODUCTION
OF SUCH A CURRENCY WOULD ITSELF GREATLY ASSIST IN
SOLVING THEM." BUT NO ONE HAS AS YET SPELLED OUT
PUBLICLY EXACTLY WHAT THE COMMISSION WOULD PROPOSE.
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13. A LEAP FORWARD, INTO MONETARY UNION, BELIEVE ITS
PROPOSERS, WOULD NEED TO BE SUITABLY PREPARED. FIRST
AND FOREMOST, AN ADEQUATE SYSTEM OF INTRA-REGIONAL
FISCAL TRANSFERS WOULD BE NEEDED TO COMPENSATE LESS
PROSPEROUS REGIONS (SUCH AS ITALY) FOR THE LOSS OF -
INDEPENDENT DEMAND MANAGEMENT POLICIES AND AN INDEPENDENT
EXCHANGE RATE. (ONE OFFICIAL PUTS IT THIS WAY: "NO
MEMBER STATE WISHES, BY GIVING UP ITS POLICY FREEDOM,
TO BECOME THE APPALACHIA OF EUROPE.") IN EFFECT,
EXTERNAL FISCAL TRANSFERS WOULD SUBSTITUTE IN LARGE
MEASURE FOR THE EXPANSION OF INTERNAL SAVING AT WHICH
PRESENT STABILIZATION AND ADJUSTMENT MEASURES ARE
AIMED.

14. A SECOND FORM OF PREPARATION WOULD BE TO STEP UP
PROGRESS TOWARD REMOVING THE REMAINING OBSTACLES TO
ECONOMIC INTEGRATION. IT IS THOUGHT THAT AS ECONOMIC
INTEGRATION IS ACCELERATED, COUNTRIES WILL TEND TO PUT
LESS RELIANCE ON A LESS EFFECTIVE EXCHANGE RATE POLICY,
AND MONETARY INTEGRATION WILL BECOME SEEN AS EVEN MORE
INEVITABLE. THIS IMPLIES A NEW EFFORT TO REMOVE FISCAL
FRONTIERS AND BARRIERS TO THE FREE FLOW OF GOODS AND
CAPITAL.

15. FINALLY, A MONETARY CONSTITUTION WOULD BE NEEDED

TO ASSURE THE COUNTRIES NOW HAVING MONETARY STABILITY (I.E., GERMANY) THAT THEY CAN SAFELY GIVE UP THEIR MONETARY INDEPENDENCE IN FAVOR OF A EUROPEAN MONETARY AUTHORITY. GERMANY, IT IS ARGUED, MIGHT GIVE UP ITS MONETARY INDEPENDENCE AND BE THE PRINCIPAL SOURCE OF FISCAL TRANSFER IF, AND ONLY IF, THERE IS A PAYOFF IN TERMS OF A MONETARILY STABLE, ECONOMICALLY LIBERAL, AND IRREVERSIBLY INTEGRATED EUROPEAN ECONOMY.

16. THE PROPONENTS OF THIS VIEW EXPRESS NO DEFINITE VIEW ON THE MECHANISM BY WHICH EUROPEAN MONETARY LIMITED OFFICIAL USE

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UNIFICATION WILL BE ACHIEVED. NO ONE, APPARENTLY, IS TRYING TO REVIVE A WERNER-TYPE EXCHANGE-RATE APPROACH. AS FAR AS WE HAVE BEEN ABLE TO ASCERTAIN, NO ONE IS WORKING ON A PLAN WHICH WOULD BUILD ON, OR EXPAND, THE PRESENT SNAKE ARRANGEMENT; NOR ARE THEY HOPING TO REVIVE THE DUISENBERG PROPOSAL. ONE PREVAILING VIEW IS THAT, ONCE ADEQUATE PREPARATIONS ARE MADE, THERE WOULD BE AN IMMEDIATE AND IRREVERSIBLE FIXING OF RATES OF EXCHANGE AND COMPLETE CONVERTIBILITY AMONG EUROPEAN CURRENCIES. THIS WOULD BE ACCOMPANIED BY AN INSTALLATION OF A CENTRALIZED EUROPEAN MONETARY AUTHORITY WHICH WOULD ASSURE FREE CONVERTIBILITY AND STRICTLY CONTROL GROWTH IN THE TOTAL EUROPEAN MONEY SUPPLY. THERE WOULD THEREFORE BE COMPLETE FREEDOM TO HOLD WHATEVER EUROPEAN CURRENCY IS DESIRED, AND PRIVATE DECISIONS IN THIS REGARD WOULD DETERMINE THE COMPOSITION, BUT WOULD NOT AFFECT THE AGGREGATE SIZE, OF THE EUROPEAN MONETARY STOCK. OTHERS WOULD PREFER A DIRECT OVERNIGHT CONVERSION OF NATIONAL CURRENCIES INTO "EUROPAS".

17. ONE INTELLECTUAL SUB-STRAND OF THIS SCHOOL IS ENAMORED OF THE IDEA OF LAUNCHING AN EUROPEAN PARALLEL CURRENCY, -- A BASKET "EUROPA" WHICH WOULD EXIST AT FIRST ALONGSIDE NATIONAL CURRENCIES, BUT THEN GRADUALLY DISPLACE THEM. (FOR INTELLECTUAL ANTECEDENTS SEE THE ALL SAINTS DAY MANIFESTO PUBLISHED IN THE ECONOMIST, NOVEMBER 1, 1975, AND THE OPTICA REPORTS FOR 1975 AND 1976.) SUCH AN APPROACH WOULD PERMIT THE EARLY INTRODUCTION OF A EUROPEAN CURRENCY WHILE, FOR THE TIME BEING, ALLOWING INDIVIDUAL CURRENCIES TO OPERATE WITH EXCHANGE-RATE FLEXIBILITY. WE UNDERSTAND THAT JENKINS AND HIS CABINET DO NOT VIEW THIS AS A PRACTICAL PROPOSAL, BUT IT MAY BE KEPT ALIVE AS AN OPTION.

18. SKEPTICS OF THE "NEW" APPROACH ABOUND IN THE COMMISSION. THERE ARE DOUBTS AS TO ITS ECONOMIC LIMITED OFFICIAL USE

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RATIONALE, BUT EVEN MORE AS TO ITS POLITICAL REALISM. VICE-PRESIDENT ORTOLI, IN PARTICULAR, IS SAID STILL TO FAVOR THE CONVENTIONAL, MORE GRADUALIST DOCTRINE, CONCENTRATING ON CONVERGENCE FIRST AND MONETARY UNION SECOND, AS THE ONLY PRACTICAL AND POLITICALLY VIABLE APPROACH. HE IS SAID TO BE UNWILLING TO CHAMPION WHAT HE CONSIDERS TO BE PATENTLY UNREALISTIC PROPOSALS. WE UNDERSTAND THAT OTHER COMMISSIONERS, INCLUDING VICE PRESIDENT HAFERKAMP, SHARE THIS VIEW. AS A RESULT, THE COMMISSION PAPER TO BE PRESENTED TO THE COUNCIL WILL PROBABLY BE A SOMEWHAT WATER-DOWN BLEND OF THE TWO APPROACHES, WITH ATTENTION PAID TO BOTH THE IMPORTANCE OF INTRA-REGIONAL FISCAL TRANSFERS, ETC. AS PREPARATION FOR MONETARY UNION (JENKINS), TOGETHER WITH EMPHASIS ON THE IMPORTANCE OF STRENGTHENING POLICY COORDINATION AND BALANCE OF PAYMENTS CREDIT MECHANISMS (ORTOLI).

19. COMMENT: THE OPTIMISTIC AMONG OUR SOURCES HERE FEEL THAT THE COMMISSION MAY BE ABLE TO OBTAIN IN DECEMBER A RINGING REAFFIRMATION OF EMU AS A COMMUNITY GOAL PLUS SOME SPECIFIC CONCRETE COMMITMENTS FOR THE LIMITED OFFICIAL USE

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NEAR TERM. THE LIST OF POSSIBILITIES FOR THE LATTER INCLUDES A TIMETABLE FOR ELIMINATION OF FISCAL FRONTIERS, EXPANDED REGIONAL TRANSFERS, AND POSSIBLY SOME FURTHER COMMITMENTS ON COORDINATION OF MONETARY POLICY.

20. SPECIFIC CONCRETE COMMITMENTS OF THIS TYPE, HOWEVER, WILL BE DIFFICULT TO OBTAIN. AGREEING TO THE FISCAL HARMONIZATION NECESSARY TO ELIMINATE FISCAL FRONTIERS WILL BE TECHNICALLY AND POLITICALLY DIFFICULT. GERMANY--AS THE MAIN DONOR--HAS BEEN RESISTING A MAJOR EXPANSION OF INTRA-COMMUNITY REGIONAL ASSISTANCE. OTHER AREAS--CAPITAL MARKET INTEGRATION, NON-TARIFF BARRIERS--ARE ALSO VERY THORNY.

21. THE COMMISSION WILL PROBABLY NOT TRY TO OBTAIN THE FIXING OF A NEW TARGET DATE FOR ACHIEVEMENT OF MONETARY UNION. NEITHER IS THERE LIKELY TO BE ANYTHING VERY DEFINITE ON POSSIBLE MECHANISMS. INDEED, GIVEN THE DOUBTS WHICH WE UNDERSTAND EXIST IN SOME OF THE MAJOR MEMBER STATES, AN UNEQUIVOCAL ENDORSEMENT OF MONETARY UNION AS A GOAL TO BE ENVISAGED WITHIN THE NEXT FEW YEARS WOULD SEEM TO BE A CONSIDERABLE ACHIEVEMENT.

22. IN SUM, IT WILL BE AN UP-HILL BATTLE TO OBTAIN SUFFICIENT CONSENSUS TO PROPEL EMU AGAIN ON ITS WAY. BY TAKING HIS CAMPAIGN INTO THE PUBLIC DOMAIN, PRESIDENT JENKINS HAS ALREADY STAKED A FAIR AMOUNT OF PERSONAL PRESTIGE ON THE ISSUE. WE BELIEVE HE WILL RECEIVE SOME GENERAL SUPPORT AT THE DECEMBER MEETING, BUT DOUBT THAT THE COUNCIL WILL BE WILLING TO COMMIT ITSELF TO ANY REAL FAR-REACHING STEPS AT THAT TIME. WHETHER ENOUGH WILL BE OBTAINED TO AVOID THE APPEARANCE OF FAILURE OR LET-DOWN REMAINS TO BE SEEN.

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